Power Corporation of Canada, Limited

Fee

Annual Report 1970

Financial Highlights

	1970	1969	1968
Gross earnings	$ 14,299,062	$ 15,257,411	$ 11,252,318
Management expenses	1,484,943	1,610,491	1,104,067
Interest expense	3,113,814	3,279,806	2,008,571
Consolidated earnings for the year	9,700,305	10,367,114	8,139,680
Non-participating preferred share dividends	4,016,448	4,029,785	3,010,145
Earnings per 6% participating preferred and common share	53.5¢	85.7¢	69.4¢
Dividends per 6% participating preferred and common share	33¢	44¢	44¢
Number of Shareholders	21,763	17,310	18,736

Head Office
1 Place Ville Marie, Montreal, Quebec

Transfer Agents & Registrars
Montreal Trust Company, Montreal, Toronto, Calgary, Vancouver

Stock Listings
Common Shares:
Montreal, Toronto, Vancouver and London, England Stock Exchanges
Participating Preferred Shares:
Canadian Stock Exchange
Convertible Preferred Shares:
Montreal and Toronto Stock Exchanges
First Preferred Shares:
Montreal and Toronto Stock Exchanges

Pour un exemplaire de ce rapport en français, s.v.p., écrire au Secrétaire.

 866-8633

Board of Directors

Wilbrod Bherer, Q.C.
Chairman, Canadian Vickers Limited

Robert Campeau
President, Campeau Corporation Limited

Alfredo Campo
Chairman of the Board, Petrofina Canada Ltd.

Peter D. Curry
Chairman of the Board, The Investors Group

*Paul Desmarais
Chairman and Chief Executive Officer of the Company

Jean-Paul Gignac
President, Sidbec

Claude Hébert
President, Warnock Hersey International Limited

*W. Earle McLaughlin
Chairman and President, The Royal Bank of Canada

*A. D. Nesbitt
Chairman, Nesbitt, Thomson and Company, Limited

Paul B. Paine, Q.C.
Vice-President and General Counsel of the Company

*Jean Parisien, C.A.
President of the Company

J. M. Seabrook
Chairman and President, International Utilities Corporation

Arthur Simard, Q.C.
Chairman, Marine Industries Limited

*Robert Scrivener
President, Bell Canada

*P. N. Thomson
Deputy Chairman of the Company

*W. I. M. Turner, Jr.
President, Consolidated-Bathurst Limited

*Members of the Executive Committee

Honorary Directors

R. R. Moodie

Jas. B. Woodyatt

Officers

Paul Desmarais
Chairman and Chief Executive Officer

Peter N. Thomson
Deputy Chairman

Jean Parisien, C.A.
President

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Paul B. Paine, Q.C.
Vice-President and General Counsel

W. G. E. Lannaman, C.A.
Vice-President and Secretary

697 3665

~~A. E.~~ Knowles, C.A.
Vice-President and Treasurer

C. Bruneau
Vice-President

C. C. Frenette
Vice-President

Paul E. Martin
Vice-President

Can S. Lines. / Lauzon Que

Davie Shipbldg & Collingwood
sales down 28%
employment up 48%
+130 m in ult. sales
value.
new business taken.

Can Shipbldg Collingwood Yard
Collingwood yard!

Govt tries to move
~~St. John Ship~~
contracts around
to keep all yards
around a while.

No rush to talk but
would be int'd.

Directors' Report

General Comments

Your Directors submit herewith the Company's forty-sixth annual report together with the consolidated financial statements for the year ended December 31, 1970.

The consolidated financial statements, which have been prepared on a basis consistent with that of the prior year, include Power's share of the earnings (before extraordinary items) of the operating companies in which Power has more than 50% of the voting shares, except in the case of The Imperial Life Assurance Company of Canada where only dividends declared are included.

The authorized common share capital was increased by 10,000,000 to 30,000,000 shares during the year. The number of common shares outstanding rose by 1,093,478 in connection with the acquisition of voting control of The Investors Group (referred to in the previous annual report) and by 2,883,995 pursuant to the share exchange offer made to the common shareholders of Consolidated-Bathurst Limited. Upon the exercise of warrants attached to the 6% non-cumulative participating preferred shares of $5.00 par value, 19,530 of such shares were issued at a price of $12.50 per share.

The consolidated net earnings attributable to the common and participating preferred shares amounted to $5,683,857, equal to 53.5¢ per share. The decrease in earnings per common and participating preferred share from 1969 results in large measure from the greater number of common shares outstanding during 1970 as compared with 1969.

Dividends on the common and participating preferred shares in the year totalled 33 cents per share compared with 44 cents in 1969. Dividends on these classes of shares were omitted in the last quarter of 1970 in the light of an anticipated decrease in earnings and the desirability of conserving cash resources.

The share exchange offer made in March 1970 to the common shareholders of Consolidated-Bathurst Limited together with purchases of such shares increased Power's holdings in Consolidated-Bathurst to 36.5% of the outstanding common shares. That company's operating results for 1970 were most disappointing as a loss of 26 cents per common share was incurred before extraordinary items, compared with earnings of $1.40 in 1969. This reversal in earnings was largely attributable to three major factors:—the significant adverse effect upon income resulting from the freeing of the Canadian dollar and its subsequent rise in terms of the U.S. dollar; the soft market which prevailed in the packaging industry generally; and the continuing losses experienced by Concel Inc., its U.S. tissue manufacturing and distributing subsidiary.

In view of the continuing adverse operating experience, the directors of Consolidated-Bathurst discontinued payment of dividends on its common shares in the last half of 1970. The dividend ordinarily payable on May 1, 1971 on its preferred shares was also omitted. While some of the difficulties mentioned may be expected to persist in 1971, measures undertaken are expected to improve the position of Consolidated-Bathurst.

In December 1970 the Company purchased an income debenture of Gesca Ltée and exchanged an interest bearing demand note of a subsidiary of Gesca for a fixed income debenture of its parent. The income debenture is entitled to any increase in the equity of Gesca which in turn derives its income from its ownership of all the outstanding shares of La Presse, Limitée and 62.2% of the outstanding shares of Trans-Canada Newspapers Ltd.

During 1970 your Company continued with its policy of reducing the number of its portfolio holdings and as a result arranged the orderly disposition of our interests in Canadian Industrial Gas and Oil Limited, Chemcell Limited and Northern and Central Gas Corporation Limited.

Operating Subsidiaries

The comments which follow are necessarily abbreviated. However, we remind shareholders that the annual report for each of these companies is available and may be obtained upon request directed to the secretary of the company for which more detailed information may be desired.

Industrial Group

Canada Steamship Lines, Limited earnings were $2.70 per share as compared with $2.50 in 1969. CSL enjoyed a satisfactory year despite a reduction in the volume of its trucking business and diminished activity in its shipbuilding and heavy engineering divisions. The operating results of the water transportation division and of the major bus transportation system in Eastern Canada were significantly higher than last year and more than offset the reduction in earnings in the other divisions.

It is expected that the current year will see a more normal level of activity for CSL in its shipbuilding and heavy engineering divisions as a result of the substantial new orders which these divisions now have.

Dominion Glass Company Limited earnings were $1.20 per share in 1970 compared with $1.14 in the previous year. Dividends on its common shares were resumed during 1970 with payments of 10 cents per share being made on September 30 and December 31, 1970.

A major development during the year was the completion of construction and commencement of manufacturing at its large and modern plant located in Bramalea, Ontario. Subsequent to the completion of the new facilities, capital funds in the amount of $25,000,000 were raised by way of a sinking fund debenture issue maturing in 1990. The proceeds were used to repay bank loans incurred in the construction of the new facilities and to increase the working capital of the company.

The operations of Dominion Glass, in common with those of all Canadian producers of containers manufactured from metal, glass and other products, may face some disruption by reason of anti-litter legislation proposed or enacted in some areas. Nevertheless, continued refinement of production efficiencies together with the use of the new plant at Bramalea for the whole of 1971 are expected to result in satisfactory growth and profitability for the current year.

Financial Group

The Investors Group, of which Power acquired voting control in 1970, earned, after providing for preferred dividends, 48 cents per common and common class "A" share as against a re-stated 76¢ for the prior year.

Management fees earned from the mutual fund and other portfolio operations were substantially down and the general adverse economic conditions resulted in sharply reduced mutual fund sales. In addition the earnings of The Great-West Life Assurance Company were substantially lower in 1970 as compared with 1969.

The improvement in stock market prices which occurred in the first quarter, if continued, will have a beneficial effect upon the earnings of Investors for 1971.

Laurentide Financial Corporation Ltd., earned 75 cents per common share for 1970, up substantially from the 56 cents earned in 1969. The increase reflects the results of operational efficiencies, a more profitable portfolio distribution and the lower costs of borrowed funds which became evident in the latter part of 1970. Gross receivables were maintained at much the same level as in the prior year as the prevailing economic conditions dictated more conservative lending policies than would normally be followed.

Dividends on Laurentide's common shares were resumed during 1970, with payments of 5 cents per share being made on September 30 and December 31, 1970.

The results for 1971 will depend to a large extent on the effects of Government monetary and fiscal policies. At the present time Laurentide plans to continue its conservative lending policies and looks forward to moderate growth which, if money costs remain favorable, should result in a further gain in earnings in 1971.

The Imperial Life Assurance Company of Canada paid dividends of $4.80 per share, the same as paid in 1969.

Imperial's volume of new life insurance and annuity business increased by 31%. Insurance in force now amounts to $3.1 billion compared with $2.7 billion at the end of 1969.

The net rate of interest earned was 6.38% before taxes on Canadian investment income compared with 6.22% in 1969.

Real Estate Group

Campeau Corporation Limited, which became a subsidiary on January 2, 1970 earned 23 cents per common share (before extraordinary items) for the twelve months ended December 31, 1970 compared with the prior year's earnings of 33 cents per share. The lower earnings were largely the result of the depressed market for new homes and a drop in the earnings of Blue Bonnets Raceway Inc. A dividend of 5 cents per common share was paid on October 1, 1970.

Campeau made an offer to the common shareholders of Canadian Interurban Properties Limited to exchange their shares for common shares of Campeau on the basis of ten for seven. This offer resulted in Campeau's interest in Canadian Interurban Properties Limited rising to 98.5% of the latter's outstanding common shares. In addition, Campeau has granted to the holders of series "A" preference shares of Canadian Interurban Properties Limited the right to exchange, at any time in the future, each such share for 1.05 common shares of Campeau.

The recent reductions in the cost of money and its increased availability, if maintained throughout 1971, should benefit Campeau's results.

General

Mr. W.I.M. Turner, Jr., President of Power since 1966, relinquished that position to become President of Consolidated-Bathurst Limited on November 26, 1970 and was succeeded as President of Power by Mr. Jean Parisien, previously its Executive Vice-President.

The Directors wish to record their appreciation of the services rendered by all Officers and Staff during the year.

Paul Desmarais

Chairman and Chief Executive Officer

Jean Parisien

President

Montreal, April 14, 1971.

Investments

as at December 31, 1970

	Notes and debentures par value	Preferred shares	Common shares Number held	Common shares % of out-standing	Valuation Quoted	Valuation Unquoted
Subsidiary Companies						
Campeau Corporation Limited	$ 6,359,358	1,000,000(a)	6,287,180	48.6	$ 24,520,002	$ 6,559,358
Canada Steamship Lines, Limited		939,840(a)	1,510,400	50.4	46,142,880	
Dominion Glass Company Limited			1,359,344	63.0	21,409,668	
Laurentide Financial Corporation Ltd.	220,000	1,000	2,129,171	53.7	13,862,365	200,200
Liverpool Plains Pastoral Co. Pty. Limited	330,000Aust.		506,000	91.6		616,127
The Imperial Life Assurance Company of Canada			51,245	51.2	7,430,525	
The Investors Group			3,431,780	50.2	26,596,295	
					$139,961,735	$ 7,375,685
Portfolio						
American District Telegraph Company			110,000	2.0	$ 3,249,400	
Argus Corporation Limited			175,484	10.4	2,500,647	
Consolidated-Bathurst Limited	1,000,000	89,800	2,204,858	36.5	28,804,846(b)	
Gesca Ltée	23,250,000					$ 23,250,000
Télémédia (Québec) Ltée	7,250,000					7,250,000
Warnock Hersey International Limited	2,488,291					2,488,291
					$ 34,554,893	$ 32,988,291

(a) Voting Shares
(b) Includes the market value of 15,000 1968 Share Purchase Warrants

Statement of Consolidated Earnings

for the year ended December 31		**1970**		1969
Income				
Subsidiary companies				
Share in earnings (note 1)	$ 10,407,424		$ 7,147,230	
Interest and preferred dividends	767,717		1,299,677	
Income from other investments	3,123,921	$ 14,299,062	6,810,504	$ 15,257,411
Management and general expenses	1,761,812		1,927,022	
Less: Management fees received from subsidiary companies	276,869		316,531	
	1,484,943		1,610,491	
Debenture and other interest	3,113,814	4,598,757	3,279,806	4,890,297
Consolidated earnings for the year		$ 9,700,305		$ 10,367,114

Notes to consolidated financial statements are an integral part of this statement.

Statement of Consolidated Retained Earnings

for the year ended December 31	**1970**	1969
Retained earnings beginning of year	$118,366,152	$120,794,623
Add:		
Consolidated earnings for the year	9,700,305	10,367,114
Increase in equity in subsidiary companies arising from extraordinary items of income (note 1)	141,869	1,273,068
Net gain realized on disposal of investments	13,835,952	(979,416)
Contributed surplus being excess of amount received over par value of 6% participating preferred shares issued	146,475	
Miscellaneous credits – net	101,772	(225,592)
	142,292,525	131,229,797
Deduct:		
Expenses of share exchange offer	668,369	
Dividends on:		
Non-participating preferred shares (note 5)	4,016,448	4,029,785
Participating preferred shares	394,208	525,611
Common shares	3,040,339	2,727,369
	8,119,364	7,282,765
	134,173,161	123,947,032
Less:		
Excess of cost of shares in wholly-owned investment subsidiaries over their book values at dates of acquisition		5,580,880
Retained earnings end of year	$134,173,161	$118,366,152

Notes to consolidated financial statements are an integral part of this statement.

Consolidated Balance Sheet

as at December 31	**1970**	1969
Assets		
Investments		
Subsidiary companies – (note 1)	$201,413,879	$153,939,734
Quoted securities – at cost (market value – 1970, $34,554,893; 1969, $90,101,393)	86,536,235	95,131,156
Unquoted securities – at cost (note 2)	32,988,291	10,412,996
	320,938,405	259,483,886
Advances to trustees of share option and stock purchase plans (note 3)	809,465	836,717
Short term notes and deposits – at cost which approximates market	2,106,050	6,968,100
Cash and receivables	2,931,422	2,351,602
	$326,785,342	$269,640,305

On behalf of the Board of Directors
P. N. Thomson, Jean Parisien

	1970	1969
Liabilities		
Current		
Bank loans (secured)	$ 18,100,000	$ 12,005,131
Accounts payable	1,809,178	2,506,112
Secured income debentures	3,500,000	10,000,000
Debt maturing within one year (note 4)	4,500,000	7,950,000
	27,909,178	32,461,243
Long term debt (note 4)	20,899,000	18,357,000
Minority interest	3,500,000	3,500,000
Shareholders' Equity		
Capital stock – preferred (note 5)	84,047,360	84,277,210
Capital stock – common (note 5)	56,256,643	12,678,700
Retained earnings	134,173,161	118,366,152
	274,477,164	215,322,062
	$326,785,342	$269,640,305

Notes to consolidated financial statements are an integral part of this statement.

Auditors' Report

The Shareholders,
Power Corporation of Canada, Limited

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1970 and the statements of consolidated earnings, of consolidated retained earnings and of source and use of funds for the year then ended. For Power Corporation of Canada, Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the auditors, we have relied for purposes of these statements on the reports of the other auditors.

In our opinion, based upon our examination and the reports of the other auditors referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, March 23, 1971

Statement of Source and Use of Funds

for the year ended December 31	1970	1969
Source of Funds:		
Consolidated earnings for the year	$ 9,700,305	$ 10,367,114
Share of earnings for the year retained by subsidiary companies	6,303,987	5,848,030
	3,396,318	4,519,084
Proceeds from sale of securities	44,190,877	37,340,735
Increase (decrease) in long term debt	2,542,000	(8,774,000)
	$ 50,129,195	$ 33,085,819
Use of Funds:		
Dividends on		
Non-participating preferred shares (note 5)	$ 4,016,448	$ 4,029,785
Participating preferred shares	394,208	525,611
Common shares	3,040,339	2,727,369
Cost of 4¾% preferred shares acquired for cancellation	182,831	108,291
Cost of securities purchased	41,785,645	39,056,744
Miscellaneous debits (credits)	439,889	(290,240)
Increase (decrease) in working capital	269,835	(13,071,741)
	$ 50,129,195	$ 33,085,819

Notes to consolidated financial statements are an integral part of this statement.

Notes to Consolidated Financial Statements

Note 1. Principles of consolidation and presentation.

The consolidated financial statements comprise the accounts of Power Corporation of Canada, Limited and its wholly-owned investment subsidiaries and the share of the earnings and other changes in the retained earnings accounts of its other subsidiary companies* on the equity principle for the period of control by the Company, except in the case of The Imperial Life Assurance Company of Canada.

The Company's proportion of the profits of The Imperial Life Assurance Company of Canada is reflected in the statement of consolidated earnings only to the extent of dividends declared.

*These subsidiary companies at December 31, 1970 were:

	share of earnings	voting interest
Campeau Corporation Limited	48.6%	52.3%
Canada Steamship Lines, Limited	50.4%	50.7%
Dominion Glass Company Limited	63.0%	56.7%
Laurentide Financial Corporation Ltd.	53.7%	53.7%
Liverpool Plains Pastoral Company Pty. Limited	91.6%	91.6%
The Investors Group	27.7%	50.2%

Investment in subsidiary companies is made up as follows:

	1970	1969
Quoted securities – at cost (market value – 1970 – $139,961,735; 1969 – $117,510,694)	$180,903,126	$131,475,015
Unquoted securities – at cost	7,375,685	12,710,285
	188,278,811	144,185,300
Increase in equity from date of acquisition of control to beginning of year	9,754,434	2,633,336
Changes during the year:		
Equity in subsidiaries sold	(3,065,222)	
Earnings	10,407,424	7,147,230
Increase arising from extraordinary items of income	141,869	1,273,068
Dividends received	(4,103,437)	(1,299,200)
	13,135,068	9,754,434
	$201,413,879	$153,939,734

Note 2. Unquoted securities:

These comprise the following:

a) Warnock Hersey International Limited (a shareholder) 6% note due December 31, 1974, payable by instalments	$ 2,488,291
b) Télémédia (Québec) Ltée 6% general mortgage bonds due December 31, 1976-1981	7,250,000
c) Gesca Ltée (an affiliate) Income debenture maturing December 1, 2020	19,750,000
d) Gesca Ltée (an affiliate) 8% debenture maturing March 31, 1975-1978	3,500,000
	$ 32,988,291

a) $2,488,291 is the balance presently outstanding of an original note of $5,000,000 received under an agreement dated August 8, 1968 involving the exchange of securities between the Company and Warnock Hersey International Limited.

b) These were received in January 1971 in respect of an agreement dated December 4, 1969 between the Company and Télémédia (Québec) Ltée following approval by the Canadian Radio-Television Commission of the transfer of shares and licenses covered by such agreement.

c) This was purchased from Gesca Ltée for $19,750,000 and is entitled to any increase in the equity of Gesca Ltée which in turn derives its income from ownership of all the outstanding shares of La Presse, Limitée and 62.2% of the outstanding shares of Trans-Canada Newspapers Ltd.

d) This was received in exchange for a demand note for a similar amount given by a subsidiary of Gesca Ltée to a wholly-owned subsidiary of the Company.

Note 3. Share Option and Stock Purchase Plans

Under the terms of a Share Option Plan, options have been granted from time to time to officers and employees to purchase common shares of the Company. At January 1, 1970 there were options outstanding for the purchase of 8,250 common shares. During the year, options on 3,750 common shares lapsed, leaving options on 4,500 common shares at $10.125 outstanding.

On March 20, 1967, the Company created a Stock Purchase Plan for the benefit of designated officers and employees. Such officers and employees purchased at that time 71,000 shares at $10 per share which the Trustees of the Plan have purchased with funds provided by the Company.

The Directors of the Company by resolution have authorized the trustees of the Share Option and Stock Purchase Plans to defer the payments by officers and employees due in 1970 and 1971.

The Trustees of the Share Option and Stock Purchase Plans have sufficient shares on hand to satisfy the foregoing requirements.

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POWER CORPORATION OF CANADA, LIMITED

Report of the May 14, 1970 Meeting of Shareholders

At the Annual General Meeting of Shareholders held on May 14, 1970, the President, Mr. W. I. M. Turner, Jr., made the following remarks:

Some time ago Power Corporation embarked on a planned course of action, the stages of which may be traced through a perusal of the Company's recent annual reports and addresses to the shareholders. In consequence of this plan, the evolution of Power Corporation from a holding company to an operating company is a matter of fact. Our objective is to be in the position to consolidate all of our holdings. What is presently evident are the specific areas of endeavour within which we will function.

As set out in the 1969 Annual Report, Power Corporation's six major subsidiaries, representing 66% of its assets, constitute three major groups: industrial, real estate and financial.

Consolidation of our holdings into three groups does not inhibit flexibility. It does, however, mean that we are now in the position to participate directly and actively in the management of the underlying companies to assist each to achieve its full potential.

In furtherance of our plan, an additional $50 million has been invested in these companies during the twelve month period ending March 31, 1970. The following table illustrates our total investment in five of these companies as well as the date from which each became a consolidated subsidiary in our income accounts. (Imperial Life, which is also a subsidiary, is not included for this purpose as its earnings are not presently consolidated in our accounts.)

Subsidiary	*Book Value of Investment March 31, 1970*	*Date From Which Earnings Consolidated in Income Statement*
Dominion Glass Company, Limited	$ 21,364,282	January 1, 1969
Canada Steamship Lines, Limited	51,425,808	April 1, 1969
Laurentide Financial Corporation, Ltd. . .	19,627,842	July 1, 1969
Campeau Corporation, Limited.	36,861,349	January 1, 1970
The Investors Group	39,254,043	March 1, 1970
	$168,579,324	

It is apparent from the foregoing that only one company's results, those of Dominion Glass, were included in the 1969 first quarter earnings of 15.6¢ per participating preferred and common share. Moreover, three companies whose earnings are now consolidated (Dominion Glass, Canada Steamship Lines and Campeau Corporation) and which represent over 39% of our total investment assets, share in common seasonal earning variances due to the nature of their activities which cause their first quarter earnings to bear no resemblance to their overall annual results. From this it follows that Power Corporation's earnings are going to show exaggerated swings within the year when reported on a quarterly basis.

Principally because of this factor, and as The Investors Group results are consolidated only for the month of March, earnings for the first quarter of 1970 for Power Corporation were $1,111,556 or 1¢ per participating preferred and common share. If our quarterly earnings were accrued evenly throughout the year without seasonal swings, then the first quarter's earnings in 1970, based on actual 1969 experience would have been 21¢ per share. It should also be noted that as a result of the various portfolio rearrangements reported for the first quarter after the payment of regular dividends there was a net addition to retained earnings of some $3.9 million or an average of 46¢ per participating preferred and common share for that same period. Looking to the future, the seasonal fluctuation in Power Corporation earnings will be even more pronounced at the conclusion of our offer of 2½ shares of Power Corporation common for each share of Consolidated-Bathurst Ltd. as the earnings of Consolidated-Bathurst are also subject to pronounced seasonal variation.

At the most recent reckoning, approximately 1,075,000 Consolidated-Bathurst shares had been deposited under our Offer which, together with our previous holdings, gives Power Corporation over 34% of the outstanding common shares of Consolidated-Bathurst. As a result of the Offer, we have acquired almost 3,500 new shareholders to date and the total number of our shareholders now exceeds 20,000.

Consolidated-Bathurst is a company whose considerable long term potential will, with hard work and careful husbanding of resources, be realized. In contrast, the more advantageous near term growth prospects for Power Corporation earnings are, we feel, the main reason that has motivated investors toward accepting our Offer. Your directors will determine by the close of business tomorrow whether or not the Offer will be extended.

I now turn to external matters which exert significant influence upon our operations.

Power Corporation, while international in scope, has operating subsidiaries active throughout Canada. The head office of Laurentide is in Vancouver, that of The Investors Group in Winnipeg and Imperial Life has its headquarters in Toronto. Northern & Central Gas and Campeau Corporation are headquartered in Toronto and Ottawa respectively, while Dominion Glass, Canada Steamship Lines and Consolidated-Bathurst have head offices in Montreal.

We have significant assets in the Province of Quebec as befits any national Canadian corporation and we intend to cooperate with the Federal and Provincial authorities to help strengthen the economy of Quebec. Canadians everywhere certainly can feel that the political and economic posture of this province has been materially stabilized as a result of the election of a majority government on April 29th. The people in Quebec have shown their confidence in Confederation. It is now up to Canada and the business community in particular to show its confidence in Quebec.

The past year has witnessed a number of changes in governmental and regulatory attitudes. Indicative of these are the efforts of the Prices and Incomes Commission towards the dampening and eventual control of inflation in Canada which require our support. One can only regret that to date the major burden has been shouldered by the business community whose contribution alone cannot suffice. Unless and until wage increases cease to exceed increases in productivity inflation will continue to exist. Needless to say, price restraint without corresponding wage restraint has meant that corporate profits and, consequently corporate shareholders are the disadvantaged group in this struggle. To keep a lid on a boiling cauldron with only one portion of its contents quiescent will not avoid an ultimate explosion.

The government White Paper on taxation has now been recognized both as a measure to increase government revenues as well as a proposal for tax reform. These are essentially unrelated matters, but to the extent the proposal is the former it is not unreasonable to request that projected increases be limited to known government commitments; as far as the latter is concerned, a thorough examination should be made in order to determine whether in fact the benefits postulated will be realized.

In an increasingly interrelated and complex world, it seems evident that the best national strategy for Canada is to have a tax system whose rates are lower (or at the very least not higher) than comparable U.S. rates. Not to do so will deprive our capital short country of its most significant reason for attracting foreign capital as well as its capacity to retain the creative segment of our population which has the greatest mobility. It is clear from the evidence on hand that for many Canadians, including many of the competent people in their 20's and 30's, even existing taxation rates are not competitive. This fact has gained a much wider public appreciation as a result of the debates on the White Paper. In the long term, this increased awareness may prove to be the most effective block to excessive government taxation demands at all levels.

Furthermore, when one considers the number of previously unforeseen problems that have arisen in public debate on the publication of the White Paper (which is itself a product of 4 years of work), it now appears obvious that the best way to achieve significant taxation reform is on a gradual step by step basis rather than any grand slam approach. The gradual method would appear to be preferable as it eliminates the one element no business community can stand — continuing uncertainty. This latter, which is created by continuing albeit necessary government delays in dealing with the White Paper contrasts sharply with the government's call to the business community to mobilize immediate investment capital in order to curb inflation and create employment so that Canada's economic climate will be strengthened.

Mr. D. E. Kerlin, a director since 1962 has asked that his name not stand for re-election as he wishes to reduce his commitments in the business field. He has served your company well and we are in his debt. Four new names have been submitted to the meeting — Robert Campeau, the President of Campeau Corporation, Jean-Paul Gignac, President of Sidbec, Robert C. Scrivener, President of Bell Canada, and Paul Britton Paine, Q.C., Vice-President and General Counsel of Power Corporation. We look forward to availing ourselves of the advice and counsel of these gentlemen.

Immediately preceding the Annual General Meeting a Special Shareholders' Meeting formally sanctioned By-law "BB" increasing the number of directors from fifteen to sixteen.

After approving the audited financial statements and directors' report for 1969, which had previously been circulated to all Shareholders, the Annual General Meeting elected the following shareholders as directors of the Company: Messrs. W. Bherer, Robert Campeau, A. F. Campo, Peter D. Curry, Paul Desmarais, J.-P. Gignac, W. Earle McLaughlin, A. D. Nesbitt, Paul B. Paine, Jean Parisien, R. C. Scrivener, J. M. Seabrook, Arthur Simard, P. N. Thomson, W. I. M. Turner, Jr. and W. Howard Wert.

At a subsequent Directors' Meeting the following officers of the Company were appointed:

Paul Desmarais	Chairman and Chief Executive Officer
P. N. Thomson	Deputy Chairman
W. I. M. Turner, Jr.	President
Jean Parisien, C.A.	Executive Vice-President
Paul B. Paine, Q.C.	Vice-President and General Counsel
W. G. E. Lannaman, C.A.	Vice-President and Secretary
A. F. Knowles, C.A.	Vice-President and Treasurer
Claude Bruneau	Vice-President
C. C. Frenette	Vice-President
Paul E. Martin	Vice-President
Yves Morin, C.A.	Assistant Secretary-Treasurer

vincial afin d'aider à renforcer l'économie du Québec. Les Canadiens de tous les coins du pays ont certainement le sentiment que la situation économique et politique s'est sensiblement stabilisée à la suite de l'élection d'un gouvernement majoritaire le 29 avril. La population du Québec a fait confiance au fédéralisme canadien. C'est maintenant au tour du Canada et plus particulièrement au monde des affaires de faire confiance à la province de Québec.

Au cours de l'année écoulée nous avons pu constater de nombreux changements dans l'attitude du gouvernement et dans la règlementation. Notons en ce sens les efforts de la Commission des prix et du revenu, qui méritent notre appui, pour enrayer et éventuellement contrôler l'inflation. Nous pouvons seulement regretter qu'à date le fardeau principal de ce travail a été assumé par le monde des affaires dont la contribution seule ne suffit pas. Tant et aussi longtemps que les augmentations de salaire continueront à excéder l'augmentation de la productivité, il y aura inflation. Inutile de dire qu'un frein à l'échelle des prix qui ne s'accompagne pas d'un effort semblable au niveau des salaires a comme résultat de mettre en péril les bénéfices des entreprises et, en conséquence, ceux des actionnaires.

De l'avis de plusieurs, le Livre blanc sur la fiscalité est à la fois un projet de réforme et d'augmentation du fardeau fiscal. Ce sont là deux sujets qui sont essentiellement distincts et qui amènent des commentaires différents. Quant à ce qui touche l'alourdissement du fardeau fiscal, il n'est pas déraisonnable de demander qu'il n'excède pas le montant des engagements connus du gouvernement. Par contre, nous croyons qu'il est essentiel d'examiner à fond les réformes proposées, afin de déterminer si les avantages désirés seront obtenus.

Puisque nous vivons dans un monde complexe et inter-relié, il nous semble que la meilleure stratégie canadienne est de prévoir un système fiscal dont les taux sont, sinon inférieurs, du moins égaux aux taux comparables en vigueur aux États-Unis. Si nous agissons autrement nous risquons de faire disparaître une des raisons principales qui attirent les capitaux étrangers et de perdre le secteur créateur de notre population: tous les deux sont mobiles et le Canada en a grand besoin. En autant que nous pouvons le constater, le fardeau fiscal qui prévaut n'est déjà pas concurrentiel pour un bon nombre de Canadiens compétents qui sont jeunes ou dans la force de l'âge. Le Livre blanc et les débats qui ont suivi ont permis à de nombreuses personnes de se rendre compte de cet état de chose. En fait, il pourrait même bien s'avérer que cette nouvelle prise de conscience en vienne à constituer le moyen le plus efficace de prévenir l'imposition par les gouvernements d'un fardeau fiscal excessif.

Les discussions qui ont suivi la parution du Livre blanc nous ont permis de constater que plusieurs problèmes n'avaient pas été prévus, même après quatre ans de travail. Ceci nous permet de suggérer que la question fiscale y gagnerait en procédant étape par étape plutôt que de façon globale. Le processus graduel possède en outre l'avantage d'éliminer l'élément que le monde des affaires peut le plus difficilement tolérer, à savoir l'incertitude continue. Cette dernière subsistera tant et aussi longtemps que le débat qui entoure le projet continuera. Nous croyons qu'il est essentiel de prendre le temps qu'il faut. Nous ne pouvons toutefois pas nous empêcher de constater que cet état d'incertitude contraste de façon marquée avec l'appel du gouvernement au monde des affaires de mobiliser immédiatement des capitaux pour enrayer l'inflation et le chômage et ainsi renforcer le climat économique au Canada.

Monsieur D. E. Kerlin, un administrateur de la compagnie depuis 1962, a demandé de n'être pas réélu car il désire diminuer ses activités dans le domaine des affaires. Il a bien servi la compagnie et nous le remercions grandement. Quatre nouveaux noms apparaîtront sur la liste: Messieurs Robert Campeau, le président de Campeau Corporation Limited, Jean-Paul Gignac, le président et le directeur général de Sidbec, Robert C. Scrivener, le président de Bell Canada et Paul Britton Paine, C.R., un vice-président et le conseiller juridique de Power Corporation. Nous espérons que vous nous donnerez l'occasion de nous prévaloir des conseils de ces quatre personnalités.

Immédiatement précédant l'assemblée générale annuelle une assemblée extraordinaire des actionnaires a formellement sanctionné le règlement "BB" augmentant le nombre des administrateurs de quinze à seize.

Après avoir approuvé les états financiers et le rapport des administrateurs pour l'année 1969 qui avaient été précédemment distribués aux actionnaires, ces derniers, en assemblée, ont élu les actionnaires suivants administrateurs de la compagnie: Messrs. W. Bherer, Robert Campeau, A. F. Campo, Peter D. Curry, Paul Desmarais, J.-P. Gignac, W. Earle McLaughlin, A. D. Nesbitt, Paul B. Paine, Jean Parisien, R. C. Scrivener, J. M. Seabrook, Arthur Simard, P. N. Thomson, W. I. M. Turner, Jr. et W. Howard Wert.

A une réunion subséquente du Conseil d'administration les officiers suivants de la compagnie ont été nommés:

Paul Desmarais	Président du conseil d'administration et directeur général
P. N. Thomson	Président-adjoint du conseil d'administration
W. I. M. Turner, Jr.	Président
Jean Parisien, C.A.	Vice-Président exécutif
Paul B. Paine, C.R.	Vice-Président et conseiller juridique
W. G. E. Lannaman, C.A.	Vice-Président et secrétaire
A. F. Knowles, C.A.	Vice-Président et trésorier
Claude Bruneau	Vice-Président
C. C. Frenette	Vice-Président
Paul E. Martin	Vice-Président
Yves Morin, C.A.	Assistant secrétaire-trésorier

POWER CORPORATION OF CANADA, LIMITED

Rapport de l'assemblée des actionnaires tenue le 14 mai 1970

A l'assemblée générale annuelle des actionnaires tenue le 14 mai 1970, le président M. W. I. M. Turner, Jr., a fait les remarques suivantes:

Il y a quelque temps déjà Power Corporation mit en marche un plan dont on peut retracer les cheminements en examinant les rapports annuels récents et les discours aux actionnaires. L'exécution de ce plan a eu comme conséquence de transformer Power Corporation de société de gestion qu'elle était, en société opérante. Notre objectif est de consolider tous nos avoirs et les champs d'actions dans lesquels nous opérons indiquent déjà clairement l'orientation que nous entendons suivre.

Tel que nous l'indiquons dans le rapport annuel, les six principales filiales de la compagnie, qui représentent 66% de notre actif, appartiennent à trois champs d'actions principaux: l'industrie, l'immeuble et la finance.

La classification de nos actifs en trois catégories n'empêche pas la flexibilité. Ceci signifie toutefois que nous sommes dorénavant en mesure de participer directement et activement à l'administration des compagnies des différents groupes pour les aider à atteindre leur plein développement.

Afin de hâter l'exécution du plan, nous avons investi 50 millions de dollars additionnels dans ces compagnies au cours des douze mois terminés le 31 mars 1970. Le tableau suivant montre en détail les placements faits dans cinq de ces compagnies ainsi que la date à laquelle nous avons commencé de les consolider dans notre état de revenu. L'Impériale, Compagnie d'Assurance-Vie, aussi une filiale, n'est pas inclue au tableau car nous ne consolidons pas encore ses revenus.

Filiales	*Valeur au livre du placement au 31 mars 1970*	*Date à compter de laquelle la consolidation a débuté*
Dominion Glass Company, Limited.	$ 21,364,282	1er janvier 1969
Canada Steamship Lines, Limited	51,425,808	1er avril 1969
Laurentide Financial Corporation, Ltd. . . .	19,627,842	1er juillet 1969
Campeau Corporation, Limited.	36,861,349	1er janvier 1970
The Investors Group	39,254,043	1er mars 1970
	$168,579,324	

Il ressort clairement de ce qui précède que les résultats d'une seule filiale, ceux de Dominion Glass, ont été consolidés durant le premier trimestre de 1969 alors que les bénéfices par action privilégiée participante et par action commune avaient été de 15.6 cents. De plus trois des compagnies, Dominion Glass, Canada Steamship Lines et Campeau Corporation, dont nous consolidons maintenant les bénéfices et qui représentent 39% de notre investissement total, sont toutes sujettes à des variations saisonnières marquées à cause de la nature de leurs activités; leurs bénéfices du premier trimestre n'ont aucun rapport avec ce que seront les résultats de l'année complète. Il en découle que les bénéfices de Power Corporation montreront des fluctuations exagérées d'un trimestre à l'autre au cours d'une même année.

Principalement à cause de ce facteur et aussi, dû au fait que Investors Group n'est consolidé que depuis le 1er mars 1970, les bénéfices du premier trimestre de la compagnie ont été de $1,111,556 soit un cent par action privilégiée participante et par action commune. Si nous avions accumulé nos revenus trimestriels également au long de toute l'année sans tenir compte des fluctuations saisonnières, les bénéfices du premier trimestre de 1970, en nous appuyant sur l'expérience réelle de 1969, auraient été de 21 cents par action. Il est encore à noter qu'à la suite de la réorganisation mentionnée du portefeuille nous avons augmenté, au cours du premier trimestre, les bénéfices non répartis d'environ $3.9 millions après le paiement des dividendes réguliers, soit 46 cents par action privilégiée participante et par action commune. Si nous scrutons l'avenir, les bénéfices trimestriels de la compagnie seront sujets à des fluctuations saisonnières encore plus marquées par suite de notre offre d'échange de 2½ actions ordinaires de Power Corporation pour une action ordinaire de Consolidated-Bathurst. Enfin les bénéfices de cette dernière sont eux aussi sujets à des fluctuations saisonnières très marquées. Le plus récent calcul nous indique que 1,075,000 actions de Consolidated-Bathurst ont été déposées aux termes de l'offre. Ce qui fait que la compagnie détient maintenant 34% des actions en cours de Consolidated-Bathurst. A la suite de l'offre, nous avons maintenant 3,500 nouveaux actionnaires, ce qui porte le total à plus de 20,000.

Consolidated-Bathurst est une compagnie qui offre des possibilités de croissance à long terme attrayantes à condition que l'on y apporte beaucoup d'attention et une gestion suivie des ressources. Par contraste, les perspectives plus avantageuses de croissance à court terme des bénéfices de Power Corporation ont, nous croyons, incité les investisseurs à accepter notre offre. Les directeurs décideront demain s'ils prolongeront la durée de l'offre ou non.

Je parlerai maintenant des facteurs externes importants qui influent sur nos activités.

La compagnie, bien qu'elle ait une envergure internationale, possède des filiales opérantes qui font des affaires à travers le Canada. Le bureau-chef de Laurentide est à Vancouver, celui de Investors Group à Winnipeg et celui de l'Impériale à Toronto. Northern and Central Gas a son bureau-chef à Toronto, Campeau a le sien à Ottawa et Dominion Glass, Canada Steamship Lines et Consolidated-Bathurst ont le leur à Montréal.

Nous avons des placements considérables dans la Province de Québec comme il convient à toute compagnie canadienne d'envergure nationale et nous avons l'intention de collaborer avec les gouvernements fédéral et pro-